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ROME FOR FODAG

E.O. 11652: N/A

TAGS: EAGR, EFIN, EAID

SUBJECT: INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
(IFAD)

REFS: (A) ROME 15998 (NOTAL) (B) ROME 15999 (NOTAL)

SUMMARY: THE U.S. ACHIEVED ITS MAJOR OBJECTIVES AT THE FIRST SESSION OF THE PREPARATORY COMMISSION (PREPCOM) OF INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD) HELD IN ROME SEPTEMBER 27-30. PREPCOM RULES OF PROCEDURE WERE ADOPTED WHICH MADE A VALID DISTINCTION BETWEEN INTERNATIONAL FINANCIAL AND TECHNICAL INSTITUTIONS PARTICIPATING AS TECHNICAL CONSULTANTS AND OBSERVER STATUS FOR STATES AND NATIONAL LIBERATION MOVEMENTS WITHOUT ANY SPECIFIC ENUMERATION OF THE LATTER. AN INTERIM SECRETARIAT WITH A TEMPORARY EXECUTIVE SECRETARY WAS ESTABLISHED WITH A SPECIFIC WORK PROGRAM UNDER OVERALL CONTROL OF PREPCOM AND WITH PROVISION FOR MEMBER GOVERNMENTS EXPERT GROUP TO ASSIST SECRETARIAT SPECIFICALLY IN AREA OF FORMULATING PROGRAM AND FINANCING CRITERIA AND POLICIES. FINALLY WFC EXSEC HANNAH REPORTED ON THE CURRENT STATUS OF IFAD PLEDGES WHICH NOW AMOUNT TO \$965 MILLION AGAINST THE \$1 BILLION TARGET INCLUDING IRAN'S ADDITIONAL BILATERAL CONTRIBUTION OF \$20 MILLION RAISING

OPEC TOTAL PLEDGES TO \$420 MILLION.

THE UN SECRETARY GENERAL'S OFFICE WILL CONTINUE TO SEEK ADDITIONAL PLEDGES. KEY ISSUE IS ADDITIONAL OPEC
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BILATERAL CONTRIBUTIONS TO SATISFY THE CONCEPT OF ROUGH PARITY BETWEEN CATEGORY I (DAC) AND CATEGORY II (OPEC) -- A CONDITION ATTACHED TO NUMEROUS DAC PLEDGES. THE PREPCOM DECIDED TO DEFER THE DECISION TO CALL MEETING OF INTERESTED GOVERNMENTS PRIOR TO JANUARY 31, 1977 FOR "FINAL RESOLUTION" OF FUNDING ISSUE AS PROVIDED IN ARTICLE 13 OF IFAD AGREEMENT UNTIL THE NEXT SESSION OF PREPCOM WHICH IS SCHEDULED FOR DECEMBER 13. END SUMMARY.

1. RULES OF PROCEDURE. THE CONFLICT OVER THE RULES OF PROCEDURE CENTERED ON THE ROLE OF OBSERVERS. FOUR VIEWPOINTS ON OBSERVERS WERE PRESSED: (A) CATEGORY II SPECIFICALLY SHIHATA (KUWAIT) TOOK A RESTRICTIVE VIEW ON OBSERVERS PREMISED ON HIS CONCEPTION OF THE PREPCOM, AS PRECURSOR OF THE FUND'S EXECUTIVE BOARD WHICH WILL NOT "OPERATE" WITH OBSERVERS. HE ARGUED THAT PERMANENT OBSERVERS WOULD ONLY INTERFERE WITH THE PREPCOM'S WORK AND IF SPECIAL EXPERTISE WAS REQUIRED IT COULD BE INVITED ON AN AD HOC BASIS; (B) THE U.S. AND OTHER CATEGORY I COUNTRIES ARGUED THAT THE IFIS, FAO, ETC., NEEDED SPECIAL STATUS BECAUSE WE HOPE THEY WILL WORK CLOSELY WITH THE PREPCOM AND WILL PLAY AN IMPORTANT IMPLEMENTATION ROLE ONCE IFAD BECOMES A REALITY; (C) THE FRENCH (WHO WERE NOT REPRESENTED ON THE PREPCOM) SOUGHT TO ENSURE THAT SCHEDULE I STATES WHO WERE NOT PREPCOM MEMBERS OR ALTERNATES HAVE PERMANENT OBSERVER STATUS; AND (D) CATEGORY III COUNTRIES ARGUED FOR WIDE OBSERVER PARTICIPATION SO THAT NON-MEMBER STATES AND NATIONAL LIBERATION MOVEMENTS MIGHT ATTEND.

2. THE COMPROMISE FINALLY REACHED INVOLVED A NEW RULE 38 TO MEET THE FRENCH CONCERN. THIS ALLOWED SCHEDULE I STATES NOT PREPCOM MEMBERS OR ALTERNATES TO OBTAIN AUTOMATIC OBSERVER STATUS ON THE BASIS OF A WRITTEN REQUEST. A NEW RULE 39, CONCERNING INTERNATIONAL FINANCIAL AND TECHNICAL INSTITUTIONS HAVING "A SPECIALIZED ROLE TO PLAY UNDER ARTICLE 7 OF THE IFAD AGREEMENT," ALLOWS THE PREPCOM TO INVITE SUCH INSTITUTIONS TO PARTICIPATE AS TECHNICAL CONSULTANTS. WE WERE ABLE TO AVOID MENTION OF NATIONAL LIBERATION MOVEMENTS IN THE RULES, AND WITH MINOR AMENDMENTS, THE RULE OF PROCEDURE LIMITED OFFICIAL USE

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WERE ADOPTED WITHOUT CONTROVERSY.

3. THE RESOLUTION IMPLEMENTING RULE 39 INVITED IBRD, FAO AND UNDP. AD HOC RESOLUTIONS ALSO INVITED GROUPS HAVING

A SPECIAL EXPERTISE IN AGRICULTURAL DEVELOPMENT (E.G. WFC, WFP, CGFPI AND CGIAR); NATIONAL LIBERATION MOVEMENTS (NONE ATTENDED); AND OTHER STATES WHO REQUESTED OBSERVER STATUS (MADAGASCAR AND THE SOCIALIST REPUBLIC OF VIET NAM). SEE PARA 3 REF B.

4. INTERIM SECRETARIAT. THERE WAS SOME PRESSURE FOR CONTINUED USE OF THE WFC AS INTERIM SECRETARIAT. SOME DELEGATIONS ARGUED THAT FIRST WE NEED TO RESOLVE THE FUNDING ISSUE AND THEN NOMINATE AN EXECUTIVE SECRETARY

WHO LATER MIGHT ACCEED TO THE IFAD PRESIDENCY. OTHERS ARGUED FOR SETTING UP AN INDEPENDENT SECRETARIAT AS SOON AS POSSIBLE TO ADVANCE THE WORK OF THE PREPCOM. THE FINAL COMPROMISE INVOLVED AN INDEPENDENT INTERIM SECRETARIAT WITH SARTAJ AZIZ (PAKISTAN),WHO WILL BE SECONDED TO IFAD FROM WFC, AS TEMPORARY EXECUTIVE SECRETARY, BUT WITH THE PROVISION THAT ONCE THE IFAD AGREEMENT IS OPEN FOR SIGNATURE, THE PREPCOM WILL MEET TO REVIEW THE WORK OF THE INTERIM SECRETARIAT AND DECIDE ON THE APPROPRIATE ARRANGEMENTS FOR FURTHER NEEDS OF THE PREPCOM. THIS COMPROMISE PLACES THE INTERIM SECRETARIAT AND AZIZ IN PARTICULAR UNDER THE DIRECT CONTROL OF THE PREPCOM.

5. STAFFING AND FINANCIAL ARRANGEMENTS FOR THE INTERIM SECRETARIAT WILL ALSO BE CLOSELY REGULATED BY THE PREPCOM. AZIZ CAN HIRE TWO PROFESSIONALS, ADMINISTRATIVE STAFF AND CONSULTANTS REQUIRED THROUGH THE SECOND SESSION OF THE PREPCOM. THE PREPCOM MUST ALSO APPROVE THESE ARRANGEMENTS AS WELL AS THE DRAFT PREPCOM FINANCIAL REGULATIONS.

6. TASKS OF THE COMMISSION. UNDER THE DIRECTION OF THE PREPCOM CHAIRMAN, THE EXECUTIVE SECRETARY IS TO PREPARE DRAFTS ON THE FOLLOWING ITEMS OF THE PREPCOM'S WORK PROGRAM: DRAFT LEGAL DOCUMENTS ON THE CONDUCT OF BUSINESS OF THE PREPCOM, IFAD AND GOVERNING BODIES; AN LIMITED OFFICIAL USE

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INTERIM HEADQUARTERS AGREEMENT WITH ITALY; AND A RELATIONSHIP AGREEMENT WITH THE UN. THE ONLY SUBSTANTIVE WORK INVOLVES A PRELIMINARY STUDY OF LENDING CRITERIA AND POLICIES, BUT THIS WILL BE DONE IN CONSULTATION WITH A COMMITTEE OF EXPERTS (SEE PARA 4 REF B) TO ENSURE CONSTANT PREPCOM INPUT INTO THIS IMPORTANT TASK. CONCLUDING A RELATIONSHIP WITH VARIOUS IFIS AND OTHER NON-UN ORGANIZATIONS WAS DEFERRED UNTIL THE PREPCOM DEVELOPED A CLEARER IDEA AS TO ITS OWN OPERATIONAL POLICIES, OBJECTIVES AND LENDING CRITERIA AND POLICIES.

7. STATUS OF PLEDGES. THERE WAS GENERAL AGREEMENT THAT THE PREPCOM WAS NOT EMPOWERED OR COMPETENT TO NEGOTIATE

THE FUNDING ISSUE. HOWEVER, WFC EXECUTIVE SECRETARY HANNAH REPORTED ON THE STATUS OF PLEDGES IN CONVERTIBLE CURRENCY WHICH NOW AMOUNT TO ABOUT \$965 MILLION. OF THIS ABOUT \$535 MILLION IS FROM CATEGORY I, \$420 MILLION FROM CATEGORY II AND \$10 MILLION FROM CATEGORY III. THE IRANIAN DELEGATE FORMALLY ANNOUNCED HIS COUNTRY'S \$20 MILLION PLEDGE, FOR WHICH THE USDEL EXPRESSED THE USG'S APPRECIATION FOR THIS STATESMANLIKE STEP. ARTICLE 13 OF

THE IFAD AGREEMENT REQUIRES THE PREPCOM TO CALL A MEETING OF INTERESTED GOVERNMENTS IF THE \$1 BILLION TARGET IS NOT REACHED BY SEPTEMBER 30. WITH THE PREPCOM CAUTIOUSLY OPTIMISTIC THAT THE TARGET WILL BE REACHED IN THE NEAR FUTURE, IT WAS DECIDED TO DEFER SUCH A DECISION UNTIL THE SECOND SESSION OF THE PREPCOM.

8. FUTURE PREPCOM SESSIONS. THE NEXT PREPCOM SESSION WILL BE HELD IN ROME DECEMBER 13-16. THIS MEETING WILL BE FOLLOWED IMMEDIATELY BY THE FIRST MEETING OF THE WORKING COMMITTEE OF EXPERTS ON LENDING CRITERIA AND POLICIES. MAJOR INTEREST AT THE NEXT PREPCOM SESSION WILL PROBABLY CENTER ON GUIDELINES FOR THE WORKING COMMITTEE AND SECRETARIAT REPORTS ON THE WORK PROGRAM OUTLINED ABOVE. KISSINGER

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